

**Supplemental Reporting Document
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March 2011 Investment Committee Meeting
(January 2011 Reporting Period)**

Quarterly Reports

Securities Lending Earnings

Member Home Loan Program Update



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Supplemental Item

March 14, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Securities Lending Earnings
Quarter Ended December 31, 2010
- II. PROGRAM:** Securities Lending
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

Earnings for the quarter ended December 31, 2010, are presented to the Investment Committee for information.

	Average Lendable Assets (\$000)	Average % on Loan	Earnings (Annualized)	Income to CalPERS (\$000)
Asset Class Earnings				
Global Equities	\$94,696,929	10%	7 bp	\$17,686
Global Fixed Income	\$34,155,142	17%	3 bp	\$2,295
Total Program Earnings	\$128,852,071			\$19,981
Unrealized gain on internal collateral reinvestment				\$34,548 *
Total Program Earnings including unrealized gain				\$54,529

*Unrealized gains resulted from CalPERS use of mark-to-market accounting on the valuation of the internal cash pool, which is not market convention on collateral reinvestment pools.

Policy Violations:

Our external cash collateral pool did not experience any policy violations during the fourth quarter of the calendar year.

Carry Over Violations:

Seven Asset Backed Securities from three issuers and two Structured Investment Vehicles (SIV's) with credit quality policy violations carried over into

the fourth quarter of the calendar year. These securities were purchased by external managers and downgraded by Fitch, Moody's and S&P in prior periods.

During the fourth quarter of this calendar year, two Asset Backed Securities were removed from the Policy Violation list after paying off.

Staff expects the remaining five Asset Backed Securities to pay down over the next 13 to 15 months. The SIV's are currently under review and Staff is working to maximize value and will continue to update the Board accordingly.

V. STRATEGIC PLAN:

This program contributes to the achievement of Goal VIII of the Strategic Plan by providing low risk incremental returns to the Fund.

VI. RESULTS/COSTS:

The securities lending program generated approximately \$ 20 million of revenue for the quarter ended December 31, 2010, including the unrealized gain of \$ 34 million, program earnings for the quarter were \$ 54 million. The average market value of securities on loan for the quarter was \$15 billion.

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Fixed Income

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March 14, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Whole Loan Modification Program
- II. PROGRAM:** Member Home Loan Program
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

The Committee approved Member Home Loan Program (MHLP) loss mitigation strategies allowing for non-conforming (whole) loan modifications, which minimize losses to the Fund. Whole loan delinquencies constitute a risk exposure to the Public Employees' Retirement Fund. As of December 31, 2010 there was \$73,206,424 in total unpaid balances with 216 delinquent loans. The chart below illustrates MHLP whole loan delinquencies.

Stage	# of Loans	% Delinquent		UPB \$	% Delinquent
30 Days	56	5.34%		\$18,038,897	5.31%
60 Days	21	2.00%		\$7,207,103	2.12%
90 Days	67	6.39%		\$23,476,425	6.92%
Bankruptcy	11	1.05%		\$2,646,176	0.78%
Foreclosure	43	4.10%		\$15,517,143	4.57%
REO	18	1.72%		\$6,320,680	1.86%
Total	216	20.61%		\$73,206,424	21.56%
Totals	1048			\$339,491,561	

Since the approval of the Whole Loan Modification Program by the Investment Committee on April 19, 2010, the CalPERS Member Home Loan Program has begun to process whole loan modifications. As of December 31, 2010, the MHLP has issued modification packages for 59 CalPERS owned whole loans representing a total unpaid balance of \$20,078,396. Of 59 loss mitigation packages issued, 20 are in review, 13 have been denied and 11 have been approved. Fifteen modification packages received no response, which included 2 bankruptcies.

Loss Mitigation Initiatives and Results		
Modifications		
Approved	Denied	In Review
7	7	19
Short Sales		
Approved	Denied	In Review
3	5	1
Repayment Plans		
Approved	Denied	In Review
1	1	
No Response*		
15		

*No Response includes two bankruptcies

V. STRATEGIC PLAN:

These initiatives address two CalPERS Strategic Plan Goals.

- Goal VI to administer pension benefit services in a customer oriented and cost effective manner.
- Goal IX to achieve long-term, sustainable, risk adjusted returns.

VI. RESULTS/COSTS:

The PERF is exposed to the risk of not collecting the unpaid balances. These loss mitigation strategies are to minimize losses to the Fund. Since loan modifications are customized for each borrower involving both interest rate and principal reductions, it is difficult to estimate overall costs.

BARBARA LARA
Assistant Division Chief
Affiliate Investment Programs

GERALDINE JIMENEZ
Division Chief
Affiliate Investment Programs

Members of the Investment Committee
March 14, 2011
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JANINE GUILLOT
Chief Operating Investment Officer

JOSEPH A. DEAR
Chief Investment Officer